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PROPERTY AND SPECIAL TAXES DEPARTMENT  
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No.2005/019

March 3, 2005

TO COUNTY ASSESSORS:

WELFARE EXEMPTION  
ORGANIZATIONAL CLEARANCE CERTIFICATE FORM REVISION  
LIMITED LIABILITY COMPANIES AS QUALIFYING ORGANIZATIONS

Enclosed are revised claim forms BOE-277, *Claim for Organizational Clearance Certificate – Welfare Exemption*, and BOE-277-P, *Periodic Filing for Organizational Clearance Certificate – Welfare or Veterans' Organization Exemption*. Both of these claim forms were revised to reflect recent legislative and regulatory changes that allow nonprofit limited liability companies to be eligible for the welfare exemption.

Letter To Assessors No. 2004/85 distributed Property Tax Rule 136, *Limited Liability Companies as Qualifying Organizations for the Welfare Exemption*, which specified the requirements that a limited liability company must meet to qualify for exemption. The LTA also provided notification that Board-sponsored legislation, AB 3073 (Chapter 354, Statutes of 2004), was enacted into law. AB 3073 amended section 214 to add a limited liability company (LLC) as a legal entity eligible for exemption. Both Rule 136 and AB 3073 became effective on January 1, 2005.

As a result, a nonprofit limited liability company may qualify for the welfare exemption under section 214 of the Revenue and Taxation Code and Rule 136, effective January 1, 2005. Rule 136 clarifies that only LLC's owned by members that are qualifying organizations that satisfy all the requirements for the welfare exemption under section 214 may qualify for the exemption. The requirements for the welfare exemption for nonprofit limited liability companies are as follows:

- Qualifying organizations that can be owners/members of the LLC include nonprofit tax-exempt entities qualified for exemption under section 214 and government entities exempt from taxation under section 3 of Article XIII of the California Constitution.
- An LLC must be wholly owned by one or more nonprofit tax-exempt organizations qualified for the welfare exemption or jointly owned by a government entity, as specified and a nonprofit tax-exempt organization qualified for the welfare exemption.
- Both the LLC and its property must satisfy the same welfare exemption eligibility requirements as other legal entities and their properties:

1. The LLC must be organized and operated for one or more exempt purposes (religious, hospital, charitable or scientific) specified in section 214.
2. The LLC must not be organized and operated for profit.
3. The LLC's nonprofit tax-exempt owners/members must each have a tax exemption letter issued by IRS under IRC section 501(c)(3) or a tax exemption letter issued by FTB under Rev. & Tax. Code section 23701d.
4. The LLC's earnings must not benefit any private shareholder or individual.
5. The LLC must be the owner of record on the property for which exemption is claimed.
6. The LLC must satisfy all the property use requirements: the property must be used exclusively for exempt purposes; the property must be used for the actual operation of the exempt activity; the property is not to exceed an amount reasonably necessary for the accomplishment of the exempt purpose; the property is not to benefit any person through the distribution of profits, compensation or the more advantageous pursuit of his or her business or profession; and, the property is not to be used for fraternal, lodge, or social club purposes, except when that use is clearly incidental to the primary exempt purpose.
7. LLC's must meet all the exemption claim filing requirements specified in sections 254.5, 254.6 and Rule 136.
8. The LLC must file a claim (see enclosed claim form BOE-277) for an *Organizational Clearance Certificate* (OCC) and supporting documentation, including: Articles of Organization, and any corresponding certified amendments or restatements, list of members/owners, and OCC numbers for each member, financial statements, a federal or state letter of exemption from income tax.<sup>1</sup>
9. The LLC must be issued an OCC before the assessor can grant exemption on its property.
10. The LLC must operate in accordance with its Articles of Organization.
11. Articles of Organization must meet the requirements in subsection (c) of Rule 136 and, therefore, must contain the following provisions.
  - the LLC's activities are limited to its exempt purposes;
  - the LLC is operated exclusively to further the exempt purposes of its members;
  - each member is required to be a qualifying organization;
  - there shall not be any direct or indirect transfer of any membership interest in the LLC to any nonqualified person or entity;
  - an acceptable statement of irrevocable dedication of the property to exempt purposes; and
  - an acceptable dissolution clause that specifies that upon dissolution of the LLC, all assets shall be distributed to a tax-exempt organization qualified for the welfare exemption.

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<sup>1</sup> If the LLC itself does not have a tax-exempt letter from the Franchise Tax Board or Internal Revenue Service, the LLC may use the tax-exempt letters of its members to qualify.

Articles without all of these express statements will not meet the requirements of Rule 136.

12. The LLC must satisfy the requirement in subsection (d) of Rule 136 to represent that its articles of organization are consistent with state law governing limited liability companies and are enforceable at law and in equity. This requirement may be satisfied with a statement on the LLC's letterhead, as an attachment to claim form BOE-277.

If the Board staff determines that the LLC or other qualifying organization meets all the requirements for exemption after review of claim form BOE-277 and accompanying documentation, an *Organizational Clearance Certificate* (OCC) will be issued. Once issued, the OCC indicates that the organization is eligible for the welfare or veterans' organization exemption, and remains valid unless revoked. A copy of the OCC must be included with claim forms when filing an exemption claim for the first time in a county; but only the certificate number must be provided when seeking exemption on an added location in a county or when filing annual exemption claims on locations that were previously granted exemption.

A list of qualifying organizations is available on the Board's Web site and is updated on a quarterly basis. Board staff verifies that organizations holding OCC's continue to meet the requirements of section 214 by requiring periodic filing of claim form BOE-277-P. The Board staff mails claim form BOE-277-P to each organization that holds an OCC on a three-year cycle, according to alphabetical groupings based on the name of the organization.

Additional information on the welfare or veterans' organization exemption may be obtained on the Board's Web site at [www.boe.ca.gov](http://www.boe.ca.gov) and can be accessed by selecting (1) Property Taxes, (2) Welfare and Veterans' Organization Exemptions. If you have questions concerning the qualification of nonprofit LLC's for the welfare exemption, or the enclosed claim forms, please contact Ladeena Ford at (916) 324-5839.

Sincerely,

/s/ David J. Gau

David J. Gau  
Deputy Director  
Property and Special Taxes Department

DJG:lf  
Enclosure

**CLAIM FOR ORGANIZATIONAL CLEARANCE CERTIFICATE – WELFARE EXEMPTION**

(SEE SECTION 254.6 OF THE REVENUE AND TAXATION CODE)

*This form must be completed and filed with the Assessment Policy and Standards Division,  
Board of Equalization, P.O. Box 942879, Sacramento, California 94279-0064.*

states:

(name of person making claim)

1. That as \_\_\_\_\_  
(title, such as president, etc.)2. of the \_\_\_\_\_  
(name of organization, corporate name from articles if incorporated)3. the corporate identification number of which, if any, is \_\_\_\_\_  
(if none, enter "none")4. the mailing address of which is \_\_\_\_\_  
(give complete address including zip code)5. that I make this claim for an *Organizational Clearance Certificate* on behalf of this organization for the 20 \_\_\_\_-  
20 \_\_\_\_ fiscal year (carefully follow instructions for the year to be entered here);

6. that the owner is not organized or operated for profit;

7. that no part of the net earnings of the owner inures to the benefit of any private shareholder or individual;

8. Organizational documents (attach a copy of organizational documents as indicated below)

## (a) Corporations

(1) Date of incorporation \_\_\_\_\_  
(date filed with Secretary of State)

(2) Date or dates of all amendments to the articles of incorporation \_\_\_\_\_

**Attach a copy of the articles of incorporation and each amendment, if any, certified by the Secretary of State.**(3) Is the nonprofit corporation a managing general partner of a Limited Partnership? ☐ Yes ☐ No If **yes**, please submit form BOE-277-L1 and a copy of the certified Secretary of State form LP-1 or LP-2, if applicable.

## (b) Non-corporations

(1) Date of organization \_\_\_\_\_  
(date filed with Secretary of State)

(2) Date or dates of all amendments to

the constitution, trust instrument, articles of organization, or other document evidencing nature

of organization \_\_\_\_\_

**Attach a copy of the constitution, trust instrument, articles of organization etc., and each amendment (if any).**9. Is this nonprofit organization a Limited Liability Company (LLC)? ☐ Yes ☐ No If yes, attach a list of all members of the LLC with each corresponding *Organizational Clearance Certificate* number.

## 10. Activities

State fully all activities in which the organization is engaged (include all activities since January 1 of prior year and provide documentation describing activities): \_\_\_\_\_

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**Attach to this claim documentation supporting/describing the activities of the organization.**

**11. Indebtedness**

Has the organization any outstanding bonds, debentures, promissory notes, or other evidence of indebtedness issued for its overall operation? ☐ Yes ☐ No If **yes**, give specific details as to type and terms of such indebtedness and to whom owing:

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**12. Financial statements of the organization for each calendar or fiscal year beginning with the year immediately preceding the claim year and each subsequent year to date.**

**Attach to this claim a copy of your operating statement (income, expenses) and balance sheet (assets, liabilities) for the calendar or fiscal year immediately preceding the claim year and each subsequent year to date.**

**13. Tax Exemption Status**

(a) Is the organization exempt from state franchise or income tax under the provisions of section 23701d of the Revenue and Taxation Code or exempt from federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code? ☐ Yes ☐ No If **yes**, attach a copy of the letter evidencing the exemption.

(b) If no, is the organization an LLC? ☐ Yes ☐ No If yes, attach a list of all members of the LLC with each corresponding *Organizational Clearance Certificate* number as indicated in question 9.

If no, the organization is **not** eligible for the organizational clearance certificate unless it is a volunteer fire department or public facility financing corporation which is exempt under section 23701f of the Revenue and Taxation Code or 501(c)(4) of the Internal Revenue Code.

**14. Salaries**

Is the salary paid to any individual in excess of \$1,500 weekly or \$78,000 annually? ☐ Yes ☐ No

If **yes**, list each of the top five positions with their salaries \_\_\_\_\_

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*NOTE: As a prerequisite to the allowance of the welfare exemption, an organization must receive an Organizational Clearance Certificate from the Board of Equalization.*

**Whom should we contact during normal business hours for additional information?**

NAME \_\_\_\_\_

DAYTIME PHONE NUMBER (      )	WEBSITE ADDRESS	E-MAIL ADDRESS
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**CERTIFICATION**

*I certify (or declare) under penalty of perjury under the laws of the State of California that the foregoing and all information hereon, including any accompanying statements or documents, is true, correct and complete to the best of my knowledge and belief.*

SIGNATURE OF PERSON MAKING CLAIM 	DATE
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**THIS EXEMPTION CLAIM IS A PUBLIC RECORD AND IS SUBJECT TO PUBLIC INSPECTION.**

## INSTRUCTIONS FOR FILING A CLAIM FOR AN ORGANIZATIONAL CLEARANCE CERTIFICATE – WELFARE EXEMPTION

(SEE SECTION 254.6 OF THE REVENUE AND TAXATION CODE)

### ORGANIZATIONAL CLEARANCE CERTIFICATE

An organization that intends to claim the welfare exemption, shall file with the State Board of Equalization (Board) a claim for an *Organizational Clearance Certificate*. The Board shall review each claim to determine whether the organization meets the requirements of section 214 and shall issue a certificate to a claimant that meets these requirements. The Assessor may not approve a property tax exemption claim until the claimant has been issued a valid *Organizational Clearance Certificate*. If a welfare exemption claim is filed timely with the Assessor, the claim will be considered timely filed even if the claimant has not yet received the *Organizational Clearance Certificate* from the Board.

### FILING OF CLAIM

Claims for the *Organizational Clearance Certificate* must be signed and filed with the Board's Assessment Policy and Standards Division's Exemption Section at the address listed on the front of this claim form. If you have any questions, you may contact the Exemption Section at **916-445-3524**. Each claim must contain supporting documents **including financial statements**.

An officer or duly authorized representative of the organization must sign the claim.

A copy of the claim and supporting documents should be retained by the organization.

**All questions must be answered.** If you do not answer all questions, it may result in denial of the *Organizational Clearance Certificate*. Leave no blanks; use "no," "none," or "not applicable" where needed.

The California Constitution and the Revenue and Taxation Code require that the organization meet certain requirements. (In responding to the questions set forth on the claim, the details and activities of the organization since January 1 of the prior year should be considered and not the details of any property owned or operated by the organization.)

- Line 5.** The initial fiscal year for which the *Organizational Clearance Certificate* is sought must be entered correctly. The proper fiscal year follows the lien date (12:01 a.m., January 1) as of which the taxable or exempt status of the property is determined. For example, a person filing a claim for an *Organizational Clearance Certificate* in February 2005 would enter "2005-2006" on line five of the claim; a "2004-2005" entry on a claim filed in February 2005 would signify that a claim was being filed for the preceding fiscal year. If the initial fiscal year for which the *Organizational Clearance Certificate* is sought is for a previous year, only one claim form is required. It is not necessary to file a separate claim for each fiscal year. (See instructions for line 12.) If the organization is a Limited Liability Company, the earliest fiscal year may not be earlier than 2005-2006, the effective date of legislation enabling LLC entities to qualify.
- Line 8.** An organization **must** attach a copy of the Articles of Incorporation and any amendments thereto certified by the Secretary of State, or comparable instrument for unincorporated organizations.  
If the corporation is a managing general partner of a Limited Partnership, please submit form BOE-277-L1 and a copy of the certified Secretary of State form LP-1 and LP-2 for each limited partnership. An *Organizational Clearance Certificate* cannot be issued without the Board's receipt of these documents.
- Line 9.** An LLC **must** attach a list of all its members with each corresponding *Organizational Clearance Certificate* number (government entities are not required to have an *Organizational Clearance Certificate*). A limited liability company is a qualifying organization if wholly owned by tax-exempt nonprofit organization(s) qualified for the welfare exemption, or jointly-owned by such organization and a government entity. Each member of an LLC, excluding a government entity, must hold a valid *Organizational Clearance Certificate* issued by the Board.
- Line 10.** State briefly **all of the activities** in which the organization is currently engaged since January 1 of the prior year. *Do not copy a statement of purposes from the articles of incorporation or comparable instrument.* List the primary activity first. (Attach copy of documentation describing activities of organization—for example, pamphlets, brochures, calendar of events.)
- Line 11.** If the answer is yes, list the type of obligations (such as bonds, notes, etc.), the amounts of the obligations, the payment terms, and names of creditors. Use a separate schedule if necessary.
- Line 12.** In submitting the financial statements (balance sheet and operating statement) of the organization, the complete financial transactions of the organization should be included. If the nature of any item of income or disbursement is not clear from the account name, further explanation indicating the nature of the account should be appended. Line 5 identifies the initial fiscal year for which the *Organizational Clearance Certificate* is sought. Please submit financial statements for **each year** beginning with the year immediately preceding the first fiscal year that exemption is claimed.
- Line 13.** An organization filing a claim for an *Organizational Clearance Certificate* **must** attach a copy of the letter evidencing the exemption from state franchise or income tax or a copy of the letter evidencing the exemption from federal income tax. **If the letter provided has subsequently been revoked, attach a copy of the letter stating that fact.**
- Line 14.** Give title of position (do not list names of position holders) and weekly or annual salary, commissions, or percentage payments.

### ADDITIONAL INFORMATION

The organization must furnish additional information to the Board of Equalization (Board), if requested. The Board may institute an audit or verification of the operations of the organization to determine whether the organization meets the requirements of Revenue and Taxation Code section 214.

**PERIODIC FILING FOR ORGANIZATIONAL CLEARANCE CERTIFICATE -  
WELFARE OR VETERANS' ORGANIZATION EXEMPTION**

This form must be completed and filed with the Assessment Policy and Standards Division, Board of Equalization, P.O. Box 942879,  
Sacramento, California 94279-0064 by February 15, 20\_\_\_\_. Carefully read the information on reverse before completing.

Corporate Name and Mailing Address:

Organization Type and Filing Period:

BOE OCC No.:

Type:

Corporate I.D. No.:

Date last periodic claim form filed:

**1. Organizational Documents****(a) Corporations**

Have the organization's articles of incorporation been amended since the last filing? ☐ Yes ☐ No If **yes**, please submit a copy of the amendment certified by the Secretary of State.

(1) Is the nonprofit corporation a managing general partner of a limited partnership? ☐ Yes ☐ No If **yes**, please submit claim form BOE-277-L1, *Claim for Supplemental Clearance Certificate for Managing General Partner*, for each property location for which you hold a supplemental clearance certificate and you seek exemption from the assessor.

(2) Is this nonprofit organization a Limited Liability Company (LLC)? ☐ Yes ☐ No  
If **yes**, attach a list of all members of the LLC with each corresponding *Organizational Clearance Certificate* number.

**(b) Non-corporations**

Have the organization's constitution, trust instrument, articles of organization, or other document evidencing the nature of the organization, been amended since the last filing?  
☐ Yes ☐ No If **yes**, please submit a copy of the amendment.

**2. Tax Exemption Status****(a) Welfare Exempt Organizations**

(1) Is the organization exempt from state franchise or income tax under the provisions of section 23701d of the Revenue and Taxation Code or exempt from federal income tax under the provisions of section 501(c)(3) of the Internal Revenue Code? ☐ Yes ☐ No

(2) If **no**, is the organization an LLC? ☐ Yes ☐ No If **yes**, attach a list of all members of the LLC with each corresponding *Organizational Clearance Certificate* number as indicated in question 1(a)(2).

(3) Is the organization a volunteer fire department or public facility financing corporation that is exempt under section 23701f of the Revenue and Taxation Code or section 501(c)(4) of the Internal Revenue Code? ☐ Yes ☐ No

**(b) Veterans' Organization Exemption**

Is the organization exempt from state franchise or income tax under sections 23701f or 23701w of the Revenue and Taxation Code or exempt from federal income tax under sections 501(c)(4) or 501(c)(19) of the Internal Revenue Code? ☐ Yes ☐ No

**3. Activities**

State fully all activities in which the organization is engaged: \_\_\_\_\_

**4. Indebtedness**

Has the organization any outstanding bonds, debentures, promissory notes, or other evidence of indebtedness issued for its overall operation?  
☐ Yes ☐ No If **yes**, provide specific details as to type and terms of such indebtedness and to whom owing.

**5. Salaries**

Is the rate of pay to any individual in excess of \$1,500 weekly or \$78,000 annually? ☐ Yes ☐ No If **yes**, list each of the top five positions with their rate of pay on a separate attachment.

**6. Financial Statements of the Organization**

Attach to this claim a copy of your operating statement and balance sheet for the immediately preceding calendar or fiscal year.

**CERTIFICATION**

*I certify (or declare) under penalty of perjury under the laws of the State of California that all the information submitted with this claim, including any accompanying statements or documents, is true, correct and complete to the best of my knowledge and belief.*

SIGNATURE OF CLAIMANT

DATE

PRINTED NAME OF PERSON TO CONTACT FOR ADDITIONAL INFORMATION

TITLE

TELEPHONE NO. AND/OR E-MAIL ADDRESS

WEBSITE ADDRESS

**THIS EXEMPTION CLAIM IS A PUBLIC RECORD AND IS SUBJECT TO PUBLIC INSPECTION.**

## INSTRUCTIONS FOR PERIODIC FILING FOR ORGANIZATIONAL CLEARANCE CERTIFICATE - WELFARE OR VETERANS' ORGANIZATION EXEMPTION

### FILING OF CLAIM

A claim for the *Organizational Clearance Certificate* will be mailed to organizations on a periodic basis to verify and update information. The claim form must be completed, signed and filed with the Board, with supporting documents, to maintain eligibility for the certificate. An officer or duly authorized representative of the organization must sign the claim. A copy of the claim should be retained by the organization. All questions must be answered, leave no blanks; use "no," "none," or "not applicable" where needed. If you do not answer all questions, it may result in revocation of the *Organizational Clearance Certificate*. The claim must be sent to the Assessment Policy and Standards Division's Exemption Section at the address listed on the front of this claim form. If you have any questions, you may contact the Exemption Section at **916-445-3524**.

The Constitution and statutes of the State of California require that the organization meet certain requirements. You are required to provide details and activities of the organization since the last filing of the periodic claim form in responding to the questions set forth on the claim. Please review the front of this claim form for the last date a claim was filed.

Question 1: An organization must attach a certified copy of any amendments to the Articles of Incorporation or comparable instrument for unincorporated organizations since January 1 of the year in which the last periodic claim was filed (see front sheet of claim form for year last filed).

If the corporation is the managing general partner of a Limited Partnership and the answer is yes, please submit a copy of the certified Secretary of State form LP-2.

An LLC must attach a list of its members with each corresponding *Organizational Clearance Certificate* number (government entities are not required to have an *Organizational Clearance Certificate*). A limited liability company is a qualifying organization if wholly owned by tax-exempt nonprofit organization(s) qualified for the welfare exemption, or jointly owned by such organization and a government entity. Each member of an LLC company, excluding a government entity, must file a periodic claim. Periodic filings (BOE-277-P) are done on a three-year cycle, based on the name of the organization. Therefore, all members of the limited liability company may not be required to file a periodic claim in the same year as the LLC.

Question 2: The organization submitted a tax exemption letter to the Board with the initial claim. If the tax exemption letter has subsequently been suspended or revoked, attach a copy of the letter stating that fact and reinstatement letter, if any.

Question 3: State briefly all of the organization's activities since January 1 of the year in which the last periodic claim was filed (see front sheet of claim form for the date last filed).

Question 4: If the answer is yes, list the type of obligations (such as bonds, notes, etc.), the amounts of the obligations, the payment terms, and names of creditors. Use a separate schedule if necessary.

Question 5: Give the title of the position (do not list names of position holders) and weekly or annual salary, commissions, or percentage payments.

**6. Financial Statements.** In submitting the financial statements (balance sheet and operating statement) of the organization, the complete financial transactions of the organization should be included. If the nature of any item of income or expense is not clear from the account name, further explanation indicating the nature of the account should be appended. Your claim will not be processed until the financial statements are received. If you do not submit financial statements, it may result in suspension or revocation of the *Organizational Clearance Certificate*.